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“CRM Practices in Serbia’s Retail Market – Case Study”

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Abstract

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Abstract

Not much attention has been devoted to countries in transition economies and their endeavor to follow up modern methods in business and IT solutions. Therefore, there is no information about application of the currently most important concept of modern marketing, CRM concept, in retail market in Serbia. This study will focus on testing currently used CRM practices in Serbia and the possibility for CRM system development within this retail sector. Considering theoretical models of building blocks of CRM process, the critical factors that may affect CRM success: corporate culture, knowledge dissemination, employees’ relations, created customer value, customers’ relations, collection and database, knowing competition, market segmentation, suppliers’ relations, IT quality, marketing campaigns, constant control and measurement of performances. Implementation of CRM systems requires a substantial database of customers, but legislation in Serbia further exacerbated its creation. The current Law on consumer protection significantly limits company’s approach to customers and data collection, which may result in the lack of knowledge about their customers' profiles, and hence their customers’ needs and wants. Most difficulties due to insufficient utilization of e-commerce, company faces in creating a loyal customer. Poor law and economical instability as well considerably impede exploitation of the advantages that electronic communications carries. In-depth interviews were chosen as the most appropriate qualitative research method of data collection in one Serbian retail company. Data collection cannot aid strategic and operational decision making, since there are not many customer contact points and data doesn’t flow to knowledge database. During analysis of CRM practices in Serbia one more important factor that affects CRM emerged- relations with company’s suppliers, which was not previously included in theoretical model of building blocks of the process of CRM implementation.

Aggravating circumstances are further affecting CRM implementation in Serbia such as

economic recession, transition process and political instability presence. The analysis of customers' purchases through linking their buying habits with their specific characteristics which eventually result in customized product offer adapted to individuals, will still have to wait in Serbian retail market.

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Chapter I : Introduction

1.1 Context of the Study

CRM was initially introduced in the world market in the early 2000s, and hence there is explosive growth of studies over the past decade (Srinivasan and Moorman, 2005).

Many companies were eager to implement CRM those days, but maybe they were expecting too much from it. Eventually many of them faced to disappointing results and many failures (Dignan, 2002). On the other hand, nowadays in an attempt to achieve greater positional advantage in today’s dynamic and competitive market environment, big retail companies and other industries in developed countries are moving towards world trends applying CRM systems (Jayachandran et al., 2005). But not much attention has been devoted to countries in transition economies and their ability to follow these world business trends.

The countries that have already begun with their structural and democratic changes, enabling firm foundations for market economy development, are able to adopt current

business practices and try to keep up with developed countries and constant environment changes in general (Prašnikar et al., 2008). Serbia is in process of transition in the last 8 years however, this process of transition in Serbia is now even more accelerated due to the fact that its neighbor countries Romania and Bulgaria had joined European Union in 2007. Serbian companies in various industry sectors record progress constantly, but there is no information about application of the currently most important concept of modern marketing, CRM concept, in retail market in Serbia (Serbian “Economic Review”, January 2010). In the context of CRM, the main goals of its implementation are certainly gaining more profit through employee, stakeholder and above all customer satisfaction, then relationship building with suppliers and customers and superior valued delivery to them (Day, 2000).

Nowadays, there is a growing trend towards developing and maintaining close relationships between companies and their clients (Plakoyiannaki and Tzokas, 2002). Along with the tremendous growth of electronic commerce and battles for customer loyalty (Rigby et al., 2003), there is great influence of globalization also that should not be forgotten and bypassed. Beside all these challenges, Serbia currently faces to one more, maybe even bigger challenge - tendency toward joining European Union.

1.2 Focus of the Study

In response to the important gap in existing knowledge of retailer – client interactions in domestic market and generally their marketing programs made to improve customer relationships, this study centers on big retail chains market present in Serbia. The present study will focus on testing currently used CRM practices in Serbia and the possibility for CRM system development within this retail sector.

If these companies use CRM systems, this study will give an insight how do they take advantage of all the information they gather, what are the difficulties they are facing

with and how they could improve their CRM use further. In case investigated companies don’t use CRM, the study is going to explain what are the main reasons why companies don’t find CRM useful and their opinion about paying it off.

From the results, this paper will come with some explore factors and conditions that should be paid special attention to before implementing CRM system in some retail company. CRM system is built to facilitate running the business, by helping the company to create superior value to customers, and increase customer satisfaction and retention eventually. In order to avoid failure and disappointment, the company should be prepared for CRM. The organization of company with its employees should be ready for the improvement and change, and also it is essential to dispose with specific information about customers and market before final implementation (Chang, 2007; Plakoyiannaki and Tzokas, 2002).

The focus is on Serbian retail and wholesale sector trading directly with the customers, offering them great assortment of products, high quality service and affordable prices. Not much attention is turned to domestic trends in business and their endeavor to follow up modern methods and IT solutions. Customers in Serbia are completely aware of the relatively significant difference in prices among retailers regarding various products. Therefore, it is not rare that customer goes to more than one retail store in order to complete his weekly shopping, due to the differences in prices among retailers (Serbian magazine “Market”, January/February 2010). This represents huge problem in creation of appropriate marketing strategy and achieving customer loyalty, especially if you don’t even know who your customers really are. This paper is going to explore attitudes about CRM implementation in one of the strongest retail chains in Serbia and its awareness of significance of this kind of information system in general. It is necessary to note that this company constitutes around 40% of the Serbian retail market.

1.3 Importance of the study

Further broader importance of this study lies in the fact that very little research attention has been devoted to the usage and efficiency of CRM systems in Serbia, and not only this, but on factors that should be considered a priori CRM implementation (Chang, 2007). This lacuna of knowledge on CRM implementation and its development is attributable to the following reasons:

- (i) decisions of purchase and implementation of CRM system has been made very quickly without any previous consideration of many critical factors necessary for success (Wilson et al., 2002)
- (ii) the association of the CRM implementation in increasing customer loyalty (Urbanskiene et al., 2008)
- (iii) emphasize more use of communication and information technologies in countries in transition in order to increase business performance, increase profits and approach closer to world trends (Jovanović, 2003)

1.4 Objective of the study

As a point of departure to this research effort, a statement of the objectives of this study needs to be provided. Explicit consideration of the research objectives from the outset of the empirical inquiry is of a vital importance since they attach purpose and direction to the whole research process. Along this line, the main research objectives of the present thesis are:

- to define the condition of retail market in Serbia in terms of application of CRM system

- to give insights how CRM systems are implemented in Serbian retail market and to which stadium companies have reached in their market orientation, IT and integration (Plakoyiannaki and Tzokas, 2002)
- to give insights is management in Serbian retail companies really ready for the changes that CRM application requires
- To examine whether the building blocks of CRM process (Plakoyiannaki and Tzokas, 2002) can provide a solid foundation for researching condition in Serbian retail market regarding CRM consideration and implementation
- the role of corporate culture in encouraging CRM adoption
- to define which form of e-marketing is the most in use in Serbia, and thus the most effective generally
- to give answers is there relevant customer base in companies enabling CRM practice and how well do they actually know their customers - is there even a potential of application of CRM system, considering critical success factors (Wilson et al., 2002)
- to give answers whether companies make efforts to improve their customer-facing business processes
- to disclose is Serbian business practice migrated from a product-oriented to a customer-oriented business, when deciding about adopting a complete CRM solution (Lorenzon and Pilotti, 2008)

Chapter II : LITERATURE REVIEW

Relatively little is known about CRM processes in Serbia since there is no field-based empirical research to provide a clear picture of the CRM implementation in Serbia and its benefits if they exist. CRM is an issue of a great importance nowadays in the business world. Most business people have divided opinion of CRM and there are various definitions of the term. Tzokas (2000) defines CRM as IT enhanced value process which identifies, develops, integrates and focuses the various competencies of the firm to the “voice” of the customers in order to deliver long term superior customer value, at a profit, to well identified existing and potential customer segments. Lemon (et al., 2002) adds to CRM term some more determinants: launching of customer databases, a new contact centers, sales force automation and e-commerce. Day (2000) suggests that CRM is an organizational phenomenon whose implementation is supported by a set of capabilities relevant to the orientation of the organization towards customer relationships and retention, the openness of the firm to customer information sharing, and the availability of structures and processes to facilitate CRM. From all these different definitions we can recap that CRM is grounded on market-orientation, IT and integration.

Companies realize that consumers are their most important asset and see customer relationships as opportunities that need to be managed (Bowman and Narayandas 2001). CRM consists of sophisticated software and analytical tools that integrate customer information from all sources analyze it in depth and apply results to built stronger customer relationships (Kotler and Armstrong, 2008). From another point of view, CRM vendors have focused principally on the technical elements of this notion, rather than understanding the implications of technology within the overall organizational context that embraces the CRM process (Key Note, 2003).

Before implementing CRM system, each company should previously consider many factors in order to significantly exploit CRM, and accomplish its benefits entirely. First of all, implementation of CRM solutions requires firms to change the organization to become more customer-focused (Jayachandran et al., 2005; Srinivasan and Moorman, 2005) and to have processes in place to collect, analyze, and apply the acquired customer information (Jayachandran et al., 2005). It appears that the most important element of CRM implementation is for the firm to acquire customer knowledge and then use this knowledge wisely for the dual creation of value. Dual-creation process is the process of creation value for one customer through information drawn from other customers rather than direct collaboration. Moreover, it is essential for CRM specialists to develop, nurture, and leverage market based assets in order to assess the impact of CRM on corporate performance (Srivastava et al, 2000). For instance, Knox (et al., 2003) shows that there is a growing number of organizations that have successfully invested in CRM and begun to realize its contribution to enhanced corporate performance.

As managers and employees appear to be at the heart of organizational change, Day (2000) stresses that management is required to focus on the human dimension of CRM practices, like the development of collective mindset that supports this process throughout the company. Based on the case study evidence from automotive service firm (Plakoyiannaki, 2005), the widely postulated link between CRM success and employee orientation is empirically proved and the mechanisms underlying this association explained. Thus, it could be postulated that employees could be of the high importance in the implementation of effective CRM activities. Srinivasan and Moorman (2005) have measured employee involvement in the collection and dissemination of customer data and showed that this involvement is positively associated with good firm

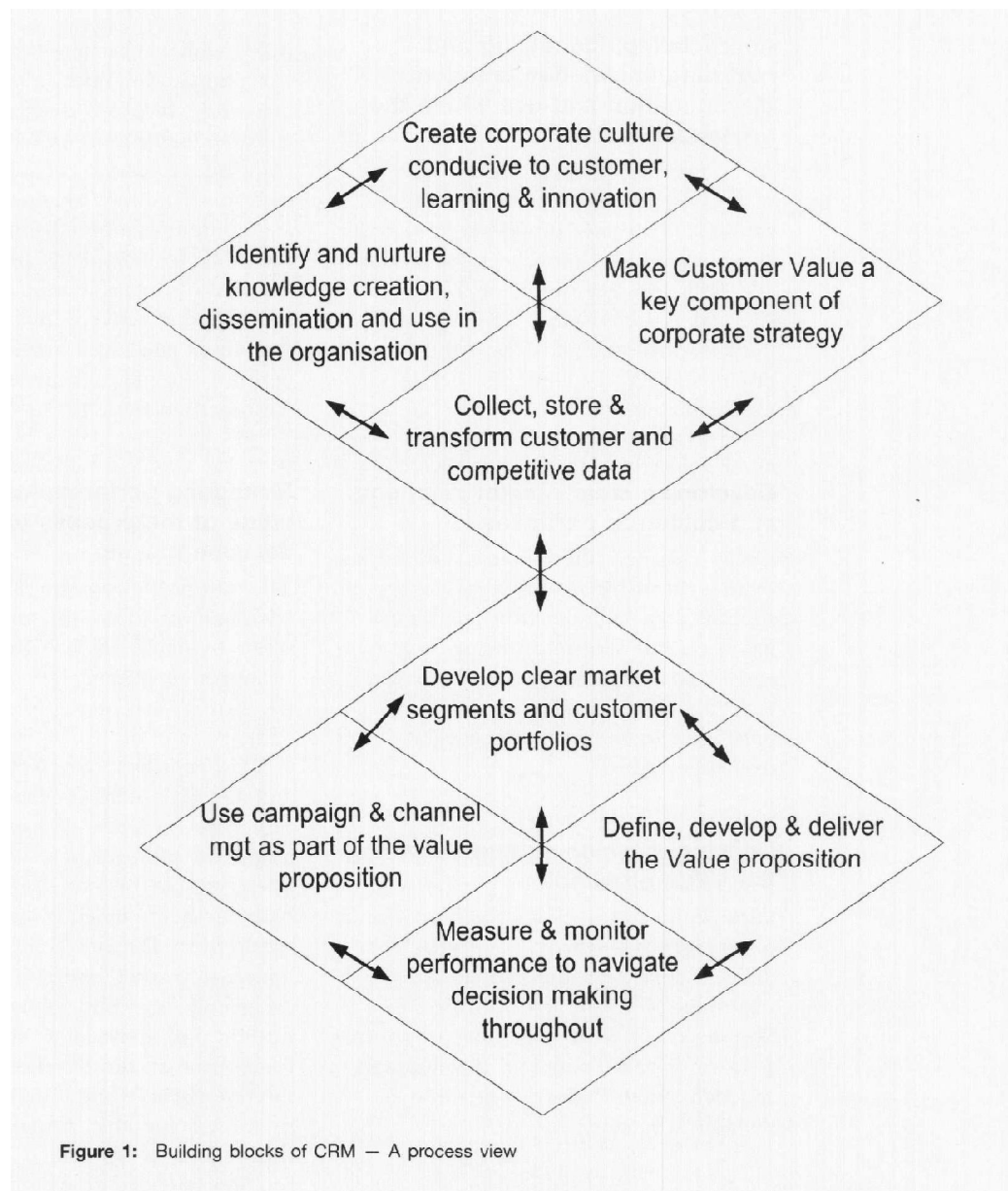
performance. Effective CRM implementation requires coordination of channels, technologies, customers, and employees, and since without appropriate human interaction with data and technology processes and systems, the returns on investments in these areas are at risk (Boulding, 2005).

Customer Relationship Management manages detailed information about individual customers and carefully manages customer “touch points” in order to maximize customer loyalty. In order to maintain a successful business, the business must understand and maintain a positive relationship with its customers (Day, 2000). Therefore, firms should treat each customer differently as each of them has different needs. CRM should suitably address potential heterogeneity in customer behavior (Boulding et al., 2005). Plakoyiannaki and Tzokas, (2002) show that through marketing campaigns companies design channels of distribution and communication (channel mix) according to individuals’ needs, and hence create value proposition and customer satisfaction eventually. Thomas and Sullivan (2005) also proved that firms can modify customers’ channel choice through different communication strategies. With appropriate information and carefully tailored messages, the influence on consumers behavior is surprisingly large. Above all, the main benefit for a customer is to get an offer in an appropriate form when it is necessary, to be appropriately served, to feel important and to give him possibility to choose the way he wants to be served (self-service, full service). CRM integrates everything that a company’s sales, service, and marketing teams know about individual customers to provide a 360 degree view of the customer relationship.

In today’s era of intense competition in the business realm, CRM forms an effective strategy to deliver some additional value to the customer. The contribution of CRM to customer value delivery was demonstrated on improved quality of customer service,

personalized customer communication that, in turn, enhanced the firm's performance in the marketplace and increased employee compensation (Plakoyiannaki, 2005).

Plakoyiannaki and Tzokas (2002) have made an attempt which can assist firms to approach their CRM effort strategically. This CRM process shown in Figure 1 helped the author to create a starting standpoint for the analysis of companies' practices regarding implementation of CRM systems in the Serbian retail sector. The model bellow will not be explained deeper since it is quite logical and well constructed.



Chapter III : METHODOLOGY

Concerning the procedure of data collection, qualitative research methods were employed in this study as the most appropriate form of data collection and analysis. Qualitative research provides findings that are not arrived by statistical procedures or other quantification means (Britten & Fisher, 1993). A qualitative method was applied here as an appropriate approach in this study because: (1) it is generally widely used for researches with exploratory purposes; (2) it can provide a deeper understanding of CRM process in practice in one of the strongest Serbian retail companies; (3) it refers to understanding interviewees' meanings about CRM system and its processes and (4) it can open up some topics that are not suitable to investigation by quantitative methods. This means that the direction of the qualitative research is partly guided by respondents, to a certain extent.

Regarding data collection method, in-depth interviews were chosen as the most appropriate method of data collection for this study over a variety of other qualitative methods such as projective techniques, focus groups and random probability sampling. That is because: (1) it allows flexibility in that the researcher could modify the research design and structure at any time; (2) it allows new questions to be brought up during the interview as a result of what the interviewees say; (3) it is the best method for in-depth probing of personal opinions, beliefs, and values; (4) there is no social pressure on respondents to conform something they don't actually mean and (5) some unexpected responses may emerge during the process of interviewing, providing invaluable information for newly-researched area.

This paper represents a qualitative study made up of 8 one-to-one in-depth interviews. 6 interviews were made with company managers (managers from marketing and commercial departments) and 2 with salesmen. All of them assisted the researcher to

understand changes in CRM practice and perceptions in the investigated company. All eight interviews were conducted by the present student. The phase of the data collection process took place in September 2010 and included exploratory and in-depth open-ended interviews with managers in one Serbian retail company. Interviews were carried out in company’s offices, and discussions with salesmen were made directly in retail stores. These interviews consisted of 32 questions and lasted approximately 50 minutes, while follow up discussions lasted for just 5-10 minutes. The interviews were guided by pre-prepared interview questions that consisted of questions related to customers, retail market, created company values, company’s processes and CRM issues. The interview questions will be presented in the appendix section (see Appendix 1). The questions were asked in a particular order as it is shown in the appendix, but it must be emphasized that depending on the context of the conducted interview, some new questions emerged. Initially, all the interviews were arranged through a telephone call, where the purpose of the research was explained. The respondents also had to be guaranteed that all the collected data are going to be presented only as a written part of the student’s research study. When the interviews were over, subjects were thanked. The researcher would like to emphasize that companies in Serbia generally do not want to cooperate with any students and share any kind of information, because of data confidentiality, so even the answers and the results from this researcher’s interviews are limited to a certain extent.

All the interviews were recorded on audio-tape to help researcher to recall all the details for purposes of the analysis. It has been suggested by Bucher et al. (1956) that tape recorders are particularly useful in exploratory interviews. Making notes during the interview, would allow the recording of only a small proportion of the information given by the interviewees. Though if a tape recorder was used, all the information could be recorded, including important information which the present interviewer would not

be able to write down without stopping the flow of conversation and breaking his rapport with the respondent. All three interviews were recorded in Serbian language, then transcribed into notebook and eventually translated into English. The permission of all interviewees for their recording was granted beforehand.

Chapter IV : DATA ANALYSIS

Out of the many existing ways to analyze, synthesize and interpret qualitative data, the researcher has chosen interpretive approach in the present study. In this method, data collection and analysis stand in close relationship to one another. The interpretative case study method was valuable in this research mainly for two reasons. First, it facilitated the researcher to comprehend better the notion of CRM and its overall process, by gathering data derived from an interview with the company’s managers who are on the highest organizational level in this case study retail firm and, at the same time they represent some of the people who were responsible for CRM implementation process. Second, it assisted the researcher to understand the cross-functional quality of CRM and the complexity of organizational perceptions that require the collection of rich data from multiple sources of evidence (cf. Easton 2002).

The qualitative data analysis in the context of this interpretive research was conducted on the following way: (1) identifying codes that allow the key points of the data to be gathered, (2) creating concepts by collecting codes of similar content that allows the data to be grouped, (3) creating categories by groups of similar concepts that are used to generate a theory. Coding included: (1) axial coding; (2) open coding; and (3) selective coding. The goal of the axial coding process is discovering how categories relate to subcategories in terms of their properties, dimensions and incidents (Strauss and Corbin,

1998). The goal of the open coding process is discovering, categorizing and naming of phenomena according to their properties, dimensions and incidents (Strauss and Corbin, 1998). Selective coding integrates and refines categories of the emerged theories (Strauss and Corbin, 1998). It is important to say, that the researcher was going back to the interviews repeatedly, until some new but related themes and issues emerged.

Due to the difficulties associated with collecting data from all the companies from retail industry of consumer goods, it was necessary for researcher to select and study one representative case. The firm called “Univerexport” is taken as the representative sample company of this study. “Univerexport” is the leading trading chain on the territory of Vojvodina, whole northern part of Serbia, in the field of wholesale and retail trade of consumer goods. Beside this leading position in Vojvodina, “Univerexport” is also one of the leading trading chains in Serbia. In the past 19 years the recognizable name was created and it is related to quality service, wide range of products and always accessible prices. Having in mind the fact to make all best products, from domestic and foreign supply, and most favourable prices constantly available to each and every customer, the sales network is developed. Today, this company consists of 30 retail stores, 5 wholesales as well as 3 subsidiaries working within the Univerexport business system. “Univerexport” has over 1000 employees, or 1600 employees including dependent enterprises (subsidiaries) who are actively involved in the innovation of the process of business. “Univerexport” also has its own production plants: bakery plant, pasta production plant and ice-cream factory. Moreover, the company dedicates special attention to the development of the personal trade mark called Baš Baš, such as Baš Baš juices, Baš Baš oil, spaghetti, spices, mineral water, flour, conserved cucumbers, rise, teas, olives, cleaning wipes, toilet paper, food for cats and dogs and much much more.

Chapter V : PRESENTATION OF THE FINDINGS

The analysis of results was based on researcher's interpretation of the interview questions along with reviewed theoretical and empirical findings reviewed within the literature review section of the thesis. The questions in interview were made following the CRM process model shown in the Figure 1, taking into account all the critical factors that affect CRM success within one retail organization (company). These factors are: corporate culture, knowledge dissemination, employees' relations, created customer value, customers' relations, collection and database, knowing competition, market segmentation, suppliers' relations, IT quality, marketing campaigns, constant control and measurement of performances.

Corporate culture

The corporate culture that exists in the company "Univerexport" do encourages processing and cross-functional sharing of information and knowledge between employees within the company. This is made possible through regular business meetings and through various courses, seminars and trainings organized by the company for their employees. Therefore, this company does realize that their employees need to be introduced to new processes, knowledge and technologies in order of complete CRM effectiveness, and ultimate benefits for the company itself. Univerexport is the company that follows modern trends in operations and constant changes in the environment, and if these trends require the setting of new modern organizational structures that need to speed up and modernize the administration and communication flows, they are certainly ready for this.

"Two years ago, our company introduced new IT system into business, which, among other things, included opening a separate e-mail account to each employee, so

as the way of communication was completely changed then, we had to do some reorganization here, since many processes were standardized afterwards and all the employees also had to be introduced with this new technology and with the new system in general.”

(Marketing manager, 32)

One of the building blocks in Figure 1 emphasizes that company should make customer value a key component of corporate strategy. In this case, this is ensured by having this value in the mission of Univerexport Company. The mission of Univerexport is to provide maximum fulfillment of consumer demand by quality of its services, supply and prices, and through motivational working conditions and advancement to achieve satisfaction and loyalty of employees, and establish long term successful relations with business partners.

Employees’ relations

Concerning employees, they did notice the values that “Univerexport” has created and cherishes, especially through motivation programs that this company is constantly developing for the long period of time. Univerexport Company has provided good quality working conditions for their employees, with appropriate tools, and this year they have even launched UTC (Univerexport Training Centre), specially designed for professional development of all the staff. The expert team consists of psychologists and psychiatrists, psychotherapists educated to work with systems. This team is organizing seminars, workshops and individual conversations for employees in the UTC which is equipped with the latest computer equipment. Within it, education is organized by special methods which educate employees in the direction of modern trends of business, new technologies and consumer service, at the highest level. There is special training for each of the 30 particular jobs and each employee is trained for his working position

in order to learn something new and enhance his performance. Combining professional knowledge of the expert team and listening to the “beat” of the business system, these experts create the most adequate methods of education and selection of personnel that should make a significant part of the business system of Univerexport Company. One more project, beside UTC, is certainly Benefit program which is launched in 2008 and involves the development of segment specific benefits, in the most interesting activities only for employees in the Univerexport. This Benefit program refers to creation of Univerexport employee card which carries many benefits. Owners of card are all the employees of Univerexport and by using this card they have the right to realize Special advantage Services such as: travel agencies, health services, hair and beauty care services, and many more. This year, the company has awarded few employees as part of a long-standing support for their hard work, with gratis travel to Greece during summer, together with their families. This practice is intended to continue since each employee represents the most valuable part of intellectual capital.

“Oh yes, I can tell you that hairdresser is perfect and at affordable price. We also have discount in one travel agency, but I personally cannot spend money on traveling due to my family’s not so good economic situation, so I didn’t use it. But some other benefits of this card are really nice, I like them.”

(Saleswoman, 40)

This way it is achieved not only the satisfaction of employees, but their loyalty as well. It is not just they take care about employees, but the company understands that their employees are the most important link to the highly appreciated customers, and this is one more reason why they are keep developing their motivation programs.

Regarding relationship within the company among the employees, interviewed managers have rated it as quite high. Two way flow of information between management and employees is obligatory.

“Of course there is two way flow of information here. Each manager is obliged to take care of his subordinates, and in case there is a problem, employee will contact the person above his by e-mail or personally. Everyone is familiar with this procedure.”

(Marketing manager, 32)

The company cherishes that everybody’s voice should be heard and that constructive criticism is a welcome criticism. Generally, the way of information travel in the company is quite clear and there are clear rules on rewards and penalties, as well as the way of progressing in the company.

“In case of irresponsibility, failure to work, bad behavior to their colleagues or poor treatment of work tools for instance, yes, all this deserve a punishment in a form of deduction from his or her salary.”

(Commercial manager, 43)

Employees can always come to higher management if they have certain problems with the lower management, but generally, the hierarchy within the company is strictly defined.

“Work is organized in shifts. In each store there are several sectors: bakery, grocery, butchers, milk products, sweets and so on. The hierarchy goes like this: each sector has its leader, above them there is a shift leader of all sectors, and above him there is manager of the store. So this is the order of communication and responsibilities at the same time. But in case of any problem, this pathway can be skipped.”

(Commercial manager, 46)

Values creation

The values that “Univerexport” has created, and at the same time has been offering to its customers are various. In its business politics, this company cherishes the following values:

- Providing economic and commercial progress
 - Provide the best products at most favorable prices to the customers
 - Improve the collaboration with suppliers and partners through constant investments in new technologies
 - Improve the collaboration with suppliers by investing in the long-term relations
- Providing Social progress
 - Give employees the opportunity to recognize and develop their own potential by motivation and confidence in the working environment
 - Make a social obligation to local and state authorities that the company will behave as an economical responsible citizen in the society
- Protection of the human environment
 - Take the responsibility towards the environment on a higher level by advancing the packaging and design of our products
 - Logistically support and strengthen awareness towards protecting the environment
 - Minimize the negative effect which Univerexport may have on the environment by opening new stores as much as we can

Among all these values, researches have shown that customers have only spotted favourable prices as value. Obviously, only this value is enough to attract them and bring the profit to the company. Beside this, according to little research that

Univerexport conducted before, customers appreciate cleanness of stores, quality of products, friendly and helpfull staff and accessability of their stores. Other funcional deparments of the company are aslo trying to contribute to customer value creation. For instance, financial department is tryning to make more profits and at the same time increase savings, in order to enable marketing sector getting higher budget for their activities. Hence, commercial department would further realize additional activities in sales promotion such as various discounts, promotions, product on sale, lottery games etc. Employees contribute to value creation on the basis of their experiences with customers and sales. Afterwards they would suggest to managers their ideas about the way of improving relationships with customers.

“Yes, this is not so frequent, but it happens. For example, I remember when I was working in the fruit and vegetables sector, I had noticed that every second customer is roaming with his eyes, and I didn’t realize what was happening, but after a while I actually saw that they are having difficulties to find the price of the fruits. So eventually, I told this to my managers, and after two days they came to me with several propositions how and where should all the prices be. So I said my opinion, and they obeyed me. I was very happy!”

(Saleswoman, 37)

Customers’ relations

According to Univerexport’s lastly conducted market research, the results have shown that their customers are mostly women, with age structure between 16 and 26 years, and retirees as well (evidence based on company’s data). This company has their own customer database, but with limited information on customers’ age, sex, location and contact information. Unfortunately, the company doesn’t have information such as customers’ work profile, their income, family status, values appreciated by them. It is

important to stress that there are around 30.000 customers who visit Univerexport’s retail stores and markets on daily basis. When it comes to their key customer touch points, the places where they gather information about them, the only touch points are actually through market research studies and guest books in stores. Therefore it is not strange that the company lacks with the other relevant information about the customers. Other points of interaction with customers that are widely used in big retail chains in developed countries are through customer purchases, sales force contacts, web site visits, customer satisfaction surveys, payment interactions and possibilities.

Unfortunately none of these possibilities are used in practices of this company.

Regarding payment possibilities, in all retail stores it is allowed to customers 30, 60 and 90 day deferred payment, but only for those who spend more than 3.000RSD (30€).

Since CRM is almost unimaginable without e-marketing approach to customers, this study gives the insight of this kind of information as well. “Univerexport” is actually proved to be very good and efficient in managing these activities: they use e-mails with special offers and promotions, they publish all the information on their web site and they use mobile SMS with content about various discounts to approach the customers from their database. Apart from this they also share catalogs with products at discount in their retail stores. It must be noted that these three e-marketing approaches - e-mails, SMS messages and catalogs in stores - are the most common forms of e-marketing practices in Serbia. In praxis of the Univerexport they don’t use e-newsletters, nor do they practice marketing activities on other web sites, nor via banners on other web sites. The company considers that the communication between company and its customers are useful for both participants in the market. Therefore they are trying to enable two-way flow of information by using two service e-mail addresses that facilitate customers to contact the company and inform them about their wishes, needs, tell their critics and suggestions. The standard time period within which a consumer must be responded also

must be fulfilled. In order to improve customer service, Univerexport is currently in the process of launching a Call Center. This will enhance relationships between company and its customers significantly, because it will enable the company listening to the needs of consumers and better responding to them, from the aspect of its action undertaken.

The quality of service Univerexport offers to their customers is still not on the satisfactory level in researcher's opinion. Generally they plan to improve it as the company continues to expand. The company argues that this is the time of rational consumer who has increasingly demanding attitudes, and that is why they have to constantly work on developing new services and offers to the customers. Because of the way the sale is organized in their facilities, and that means self-service, and level of services may not be sufficiently developed. However, there is still a free space for improvement of services quality and strengthen relationships with customers by introducing sales staff that will provide customer service whenever they need it. For instance, shop assistants in cosmetic section, technical section, home chemistry section etc. Of course, this will increase costs, but at the same time it will increase customer satisfaction which may lead to increased profits. The current practice in Univerexport is to have only cashiers, butchers, bakery and grocery staff and merchandisers in their stores performing only a technical job. It is not possible to create deeper relationship and partnership with customers, if a company doesn't have sales staff that will actually perform this function. Customer partnership involves continuous work in furtherance of its activities towards customers.

Concerning customer loyalty program, Univerexport has created its Bonus loyalty cards in 2006 and it was the first one in Serbia who created these kinds of cards for their customers. Bonus card program is designed to give certain number of purchase

vouchers to loyal customers, depending of amount of money spent for purchases during a three months period in all Univerexport retail stores.

Knowing competition

Regarding knowledge of the competition in Serbian retail industry of consumer goods, the company claims that they know their competitors well enough to preempt them in most of their marketing activities, but their philosophy is simply different. The strategy of this company is to be different. While all the other competitors put their promotions and sales at the same time, Univerexport puts these activities before them, or sometimes later. Generally, monitoring of the competitors primarily consists of monitoring of their prices and promotions. Main competitors are Mercator, Delta Maxi with Tempo, Metro cash & carry, Idea and Tuš. All together they constitute the 100% of the Serbian retail market. What is most interesting and also represents a serious problem in Serbia is that actually no one from the competitors knows what is their market share. So market share in this industry is completely unknown and there are only speculations. It is assumed that only communications and market research agencies that operate in Serbia may know this data, but in order to find this out great amount of money should be paid. Slovenian company Mercator, one of their main competitors, has and uses CRM information system, but only in Slovenia as far as this company knows for now.

Segmentation of customers

Univerexport has done market segmentation through different researches, questionnaires etc. They segmentation was performed by age of customers, their sex, location and average consumer basket expressed in Republic Serbian Dinars (RSD). Their targeted market segment is young married couples, since they have the best payment abilities. Most of the competitors also target this market segment.

Suppliers’ relations

For successful performance and conduction of business, it is necessary to cooperate even outside the company. Univerexport doesn’t consider itself the networked company, which relies heavily on their suppliers, channel partners, other organizations or even competitors. For half of the suppliers they have alternative one, so in case one cancels the delivery or has certain problems, the company would automatically transfer to other. This refers to channel partners as well. Concerning competition, Univerexport has to keep low prices due to high price elasticity of the demand. As soon as there is even a little difference in prices, disloyal consumers immediately leave and go to the competitors. Regarding relationships that this company has with their suppliers, managers from commercial department have assured the researcher that this relation is excellently rated and that they have highly professional relation, thanks to long lasting business cooperation and preservation and maintenance of good relations and partnership.

“Well, after almost 20 years of cooperation it is normal that we have built a solid and above all confidential relationship with most of our suppliers.”

(Commercial Manager, 48)

Every year they would organize a party and they would award all good suppliers and thus foster their partnerships. The criteria for estimation of selection of the future business partner are certainly Terms and Conditions of the future business.

IT practices

Quality of IT depends on capability and capacity to store, maintain and access millions of data elements in an acceptable time range. Data mining and customer profiling should be enabled to individual or aggregate level. This company does have database of

their customers, but this database is used only for customer segmentation and extraction of telephone and e-mail contacts. This practice has a lot of space for improvement. One more thing that should be drawn on is that CRM systems implementation requires a substantial database of customers, and legislation in Serbia, for now, does not help the development of such systems, but on the contrary – it obstruct them. This is Law on consumer protection with its Article 27 which refers to Offer of products and services using electronic means, and Article 28 which refers to Offer of products and services with the consent of the consumer.

Especially important is Article 28: The offer of products and services to consumers outside the business premises and service provider, through catalogs, presentation of the sample or model, demonstrating the product to inform about its characteristics, offering products and services by electronic means and in any other way that the product or service is offered to consumers, is allowed only if there is prior consent of consumers. This law carries a high fine to every employer who decides to address to customer without his previous consent. So, any offer, any kind of information, any catalog or flyer put in someone’s mailbox without previous confirmation of consumer is expressly prohibited. Therefore, the creation of better CRM database than existing one is significantly impaired because of this law, and affects all the industry generally. It is impossible to use e-mail addresses got from some internet providers for instance, because the company hasn’t got consent of its consumer.

Current modern IT system in Univerexport, without which it would be difficult to conduct the business, is bought 2 years ago. It is designed in such way that all new additional tools and software can easily be implemented and adopted. One of this additional software is analytical software for analysis of researches called SPSS and serves as a software support in CRM, but Univerexport is not thinking about buying it at

this moment. One of the features of the current IT in this company is certainly automatic monitoring of stock and ordering. It knows capacity of shelves and stock condition, so with some additional settings it can work almost alone. All this represents very good condition of an IT system and excellent base for future CRM development in Univerexport Company.

Apart from this, Univerexport has its own intranet network to facilitate its overall business process. This intranet is designed exclusively for informing the employees. All employees has their individual e-mail account, and beside this, in this service they can find really wide spectrum of information – news, announcements, weather forecast, request for vacation, request for mobbing, internal competition for jobs, preventive measures in case of illness such were H1N1, H5N1 etc. This way all the employees are connected, and not just them, but all the stores in this big system as well. Intranet system allows continuous two-way communication between all the levels of company management, and therefore better working performance of employees and hence, the whole company. It contributes to better working environment as well.

Regarding the use of extranet network with their supply chain, this is something that is in the process of developing. Basic form of this kind of networking exists in Univerexport. It functions as follows: all the suppliers have their user name and password, and when they log in they have the possibility to fill out various forms such as: form request for new product enter, form request for catalog participation etc. Recently, Univerexport has decided to start with improvement with their relations with big customers, who are actually small independent supermarkets. As one of the commercial formats that this company works through is wholesale, recently it is enabled for large customers (previously mentioned supermarkets) to purchase via internet, through company’s well secured web site portal. All this facilitated communication

considerably, many processes that required a lot of papers are now made much easier and standardized, and feedback deems to be excellent. Constant investments into development of the sales network, logistics and the communication with the customers, as well enables fast and efficient fulfilling of the demand of modern consumers.

Performance evaluation

Measurement and monitoring of company’s performances is done on daily bases. After every marketing campaign various financial ratio analysis of operations are calculated and the different researches and conclusions are trying to be conducted. The effectiveness of their marketing activities is measured through analysis of sales, income, profit margin, profit growth rate, expected profit matter and so on. All marketing campaigns are customer centered and target fulfilling their needs. Marketing managers think they are very successful in this, and good feedback is an increase in sales during and after marketing campaigns. When the analysis of responses to some marketing campaign is done, all employees got information about this. It is important to stress that marketing managers were not familiar with the term customer lifetime value, so therefore, these campaigns cannot reach effect in long-term.

Chapter VI : DISCUSSION AND CONCLUSION

This paper makes an important contribution to CRM research by giving insights of CRM practices of one Serbian retailer, a country that it is in the process of transition. One more contribution of this paper is that in the academic world there is lack of knowledge of Serbian industry generally, since there are not many previous studies of some business practices in Serbia. Moreover, during analysis of CRM practices in Serbia one more important factor that affects CRM emerged, which has not been

previously included in the theoretical model of building blocks of the process of CRM implementation presented in Figure 1. This factor describes relations with company’s suppliers. This factor appears to contribute significantly to defining and delivering value to the customers. This paper also confirms the necessity of enhancing the use of modern electronic ways of communication, observed from the example of one company which is noticeably handicapped in running its business, achieving better business performances and increasing its profits. Most difficulties due to insufficient utilization of e-commerce, company faces in creating customer loyalty programs, i.e. in creating a loyal customer. Poor laws, economical and political instability, as well significantly impede exploitation of the advantages that electronic communications carries.

As Marketing practices have evolved over time from an emphasis on market share and size to an emphasis on developing relationships with customers as the key to profitability (Johnson and Selnes, 2002), the situation in the Serbian retail market has shown that Serbian retailers have not even reached the first stadium of knowing the market share and size, but on the other hand, they are trying to keep up with CRM development practices. This fact is very interesting, and should be further investigated. Findings from the analysis of Univerexport’s business suggest several managerial implications for this retail organization that are going to be explained subsequently. Hereafter, this study is going to discuss Univerexport business operations and practices linked to each of the building blocks of CRM process that Plakoyiannaki and Tzokas (2002) established.

Corporate culture established in Univerexport is excellent and it is customer focused. In order of CRM progress, it is essential a cultural focus that encourages processing and cross-functional (cross-departmental) sharing of information and knowledge appreciation.

The employees are very satisfied in Univerexport generally, working environment is very good and the flow of communication and information between employees and managers and among employees themselves is significantly improved. Through employee motivation programs such as UTC and Benefit card program, it is achieved the high satisfaction and loyalty of employees. This is proved with enhanced employees’ performance and their outcome. Rigby et al. (2003) found that the prime driver of customer loyalty is the loyalty of the company's employees. So according to this theory, it could be concluded that Univerexport has the most loyal customers, which is not the case here actually.

All company’s business departments, employees and managers contribute to creation of customer value, each of them on its own way. Customer value represents a key component as it is incorporated in the mission of Univerexport, and thence into its corporate strategy.

The relationship with highly appreciated customers is not on satisfactory level, and there is a lot of space for improvement. Data collection cannot aid strategic and operational decision making, since there are not many customer contact points and data doesn’t flow to knowledge database. Key customer touch points should be enhanced through sale forces and customer satisfaction surveys. This way they would contribute a lot to their CRM system, although future CALL centre launching also represents the big step towards interaction with their customers. As all the information about various promotions and sales are regularly placed on the Univerexport’s website which is regularly updated, it would be good to do customer satisfaction surveys directly by internet. Therefore, one part of the customers would significantly be attracted, what would increase customer loyalty to a certain extent. According to data from the Statistical Office for year 2009, in Serbia, 36.7 percent of households possessed an

Internet connection, or around 3 million people (Blic Press, 24.08.2010). This data should be significantly exploited, especially when concerns to customer database building and e-marketing approach. Hence, marketing activities on other popular web sites and via banners on other web sites also should be considered.

Relevant customer data base in companies enables efficient CRM practice, and here in Serbia is the case that retailer companies do not know very well their customers. Since the Law on consumer protection significantly limits company’s approach to customers and data collection, on the other hand, it doesn’t limit the approach of customers to the company. Hence, company’s web site should be more promoted and utilized. As Univerexport lacks with deeper information of its customers’ profile, such as knowledge of their habits, hobbies, income, family status, more of these customer data could be collected through this web site by organizing lottery games for instance. This way, new data collection could further assist the company’s strategic and operational decisions. Nevertheless, besides all other ways for business improvement, this Law still needs to be changed in future, not only for the benefit of retail industry, but also for the benefit of the entire country.

Regarding Bonus loyalty card program, it could be suggested that getting discounts on certain or all the products, and not just through providing purchase vouchers.

It has been noticed that a gap exists between the targeted market segment and general profile of the company’s actual customers. As result of this discrepancy, it could be suggested that management may need to make a greater effort to determine why this is happening and to try to reduce the resulting gap. Apart from this, clear market segments are also limited, since market segmentation cannot be done in such a detailed way, due to the lack of data about customers. Monitoring of competition is also limited by lack of knowledge of precise market share and size of the market.

Highly professional and positive relations with suppliers due to long lasting business cooperation and partnership, indicate successful performance and conduction of Univerexport business.

IT system within Univerexport enables running whole business process very efficiently, and moreover, its construction easily enables additional implementation of any new tools and software. Intranet and Extranet networks are both in use, and even they are in constant development, hence all this give a good picture and strong basis for further CRM development.

Campaign management in Univerexport also brings part of value proposition. Tailoring of messages in order of customer attraction, as part of general campaign management, resulted this company to come out with the following motto: (Customers) Get used to better! Channel management as part of value proposition will be significantly enhanced with enabling on-line shopping and door to door delivery for all the customers.

Probably, the reason why e-shopping in Univerexport is enabled only to big customers is because percentage of on-line shopping in Serbia is very small (Blic Press, 06.04.2008), due to underdeveloped banking system in Serbia from the aspect of electronic shopping. So, as soon as this percentage increases, Univerexport Company should try to exploit this opportunity subsequently. However, in researcher’s opinion, this practice still should be initially extended to individual customers with high buying power, who spend huge amounts of money on purchases in Univerexport stores. This way, their loyalty would be gained, and therefore, CRM practices will be enhanced.

Measuring and monitoring performances in this company is very successful and supports the navigation of decision making and thus the impact on CRM.

Aggravating circumstances are further affecting CRM implementation in Serbia such as economic recession, transition process and political instability presence. The analysis of

customers' purchases through linking their buying habits with their specific characteristics which eventually result in customized product offer adapted to individuals, will still have to wait in Serbian retail market.

Nevertheless, further improvements of the current practices could be made. CRM practices in Serbia will change significantly, after changes in laws on customer protection and advertising, political stabilization, e-banking system improvement, larger percentage of Internet use and tremendous increase of on-line purchases.

Limitations and Directions for Further Research

There are limitations and two avenues for further research as well that should be discussed. Limitation of this study is that not all the companies in Serbian retail market have been subjects of this research study, due to their reluctance to cooperate and to reveal any kind of data stating that all the data are in strict confidence. Regardless of the fact that one of the strongest companies in Serbian retail industry was investigated in this paper, all the competition should be explored as well and general conclusions should be deduced and presented.

Future studies should explore how customers perceive CRM, since they are the main recipients of CRM activities. Comprehensive business strategies, company’s processes, employees and resources are customer focused, therefore, this is all pointless if customers do not actually see this or experience it in a proper manner. Because of data limitations, also it could not be evaluated the differential influence from the aspects of CRM technology use, such as sales support, marketing support, and service support, on customer relationship performance. Thus, further research should examine this as well.

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Appendix 1

INTERVIEW QUESTIONS

General questions>

1. **What is your market share in percents in retail market in Serbia, number of employees, number of retail stores?**
2. **What does your company, what is your job?**
3. **What is the number of your customers?**

Questions referring customers>

4. **Do you know who your customers are?**
5. **Do you have database of your customers?**
6. **What kind information do you actually have about your customers?** (age, sex location, work profile, income, family status, contact information, needs, expectations, values appreciated by customers)
7. **Which form of e-marketing you use to approach to your customers?** (e-newsletter, e –mails with offers/promotions/catalogs, via information on your web site, via information on other web sites, via banners on other web sites, SMS information)
8. **Where are your key customer touch points, where you gather information (points of interaction)?** (Customer purchases, Sales force contacts, CALL centers, Web site visits, Customer satisfaction surveys, Market research studies, Guest book, Payment interactions and possibilities)
9. **Is there two-way flow of information between company and customers?**

Market related questions>

10. **Have you done your customer segmentation?**
11. **Do you measure current or potential purchases of your customers?** (customer lifetime value, loyalty cards)

12. Have you measured effectiveness of your marketing activities and how?
13. How well do you know your competition!?

Offered values>

14. Which values have you created/you are offering to your customers?
15. Regarding partnership relationship management, do all your company's departments contribute to customer value creation?
16. Does corporate culture of your company encourages processing and cross-functional sharing of information and knowledge between employees within the company?
17. Do you realize that your employees need to be introduced to new processes, knowledge and technologies in order of CRM effectiveness? –in case you have already adopted CRM what are your employees' attitudes towards its use?

Questions referring processes in the company>

18. How would you assess the customer service you offer to your customers how do you plan to improve it?
19. How would you assess the quality of service you offer to your customers and how do you plan to improve it?
20. How would you assess the relationship strength with your customers and how do you think you can improve it?
21. How would you assess the relationship that you have with your suppliers?
22. How would you assess the relationship that you have within the company among the employees?
23. Is there two way flow of information between management and employees?
24. Have you created motivating working conditions and possibility for professional development for your employees?
25. Regarding partnership relationship management, do you consider yourself the networked company, which relies heavily on your suppliers, channel partners, other organizations or even competitors?
26. Do you measure and control (monitor) your performances and how?
27. How well do your marketing campaigns influence customer behavior?

IT CRM practices>

28. Is your company ready to reorganize the organization structure in order of further development?
29. Do you have Information system that helps you in running your business, what are its benefits and how would you assess it?

30. Does your company use intranet network to facilitate overall business process?
31. Does your company use extranet network with your supply chain?
32. Do you know what CRM system is, do you use it, if yes, what are the main benefits you obtain by using CRM system in your company, If not, why?